Professional® Builder

A CAHNERS PUBLICATION
MID-FEBRUARY 1989

REMODELING

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Times change and homeowners change. To suit the needs of modern homeowners and their lifestyles, altering floor plans and adding space are the way to go.

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Remodelers have been in business 17 years and have average yearly revenues of $1.8 million, according to a *Professional Builder* survey. An in-depth look at remodelers, their business activities and the products they use.

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Special Research For A Special Issue

By Roy L. Diez,
Editor in Chief

This "extra" mid-month issue of *Professional Builder* magazine has been custom tailored for builders/remodelers who do room additions and major structural alterations.

Structural additions/alterations is now the largest single dollar volume component of the remodeling market. Expenditures for residential room additions and alterations, alone, exceed $50 billion annually.

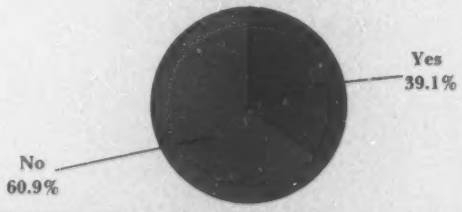
More important, about 75 percent of residential remodeling activity is professionally done. And, 69 percent of all professionally done additions and alteration work is now done by professionals also involved in new construction.

Hence, this issue—a targeted editorial and advertising product for a special builder/remodeler audience.

Much editorial effort and research went into preparing the issue. The remodeling statistics highlighted on this page, for example, are taken from a mail survey to builders/remodelers. In all, 419 responses were received in the survey—with some interesting results:

- The typical home remodeled by today's professional builder/remodelers is 29.9 years old. Few of the homeowners remodeling (only 9.9 percent) are the original buyers of the home. On average, the current owners have lived in the home 7.8 years.
- Most residential room additions pencil out in the $10,000 to $35,000 range, kitchens at $5,000 to $20,000, and baths at under $10,000 (see chart).
- The typical builder/remodeler surveyed has 7.1 full-time employees. Besides himself, 0.8 employees are family members and 1.0 are clerical positions.
- Finally, when asked if they have ever remodeled homes they have built new, nearly 40 percent of respondents said, yes (see pie chart). A result strongly indicative of the high percentage of new home builders now active in remodeling. □

Do You Ever Remodel Homes You Have Built New?



Average Remodeling Costs

	Under $5000	$5000-$10,000	$10,000-$20,000	$20,000-$35,000	$35,000-$50,000	Over $50,000
Kitchens	12.4%	42.2%	26.3%	11.4%	3.7%	4.0%
Baths	30.3	44.8	18.2	2.3	2.1	2.3
Room Additions	5.5	14.7	28.4	23.8	13.4	14.2

PB Remodeling Survey: Most Expensive Job

Builder/remodelers said they have an average of 4½ jobs underway, with the most expensive valued at $118,655.

Feeling a bit like a juggler lately? No wonder. According to a *Professional Builder* survey, remodelers have an average of 4.5 jobs underway at one time.

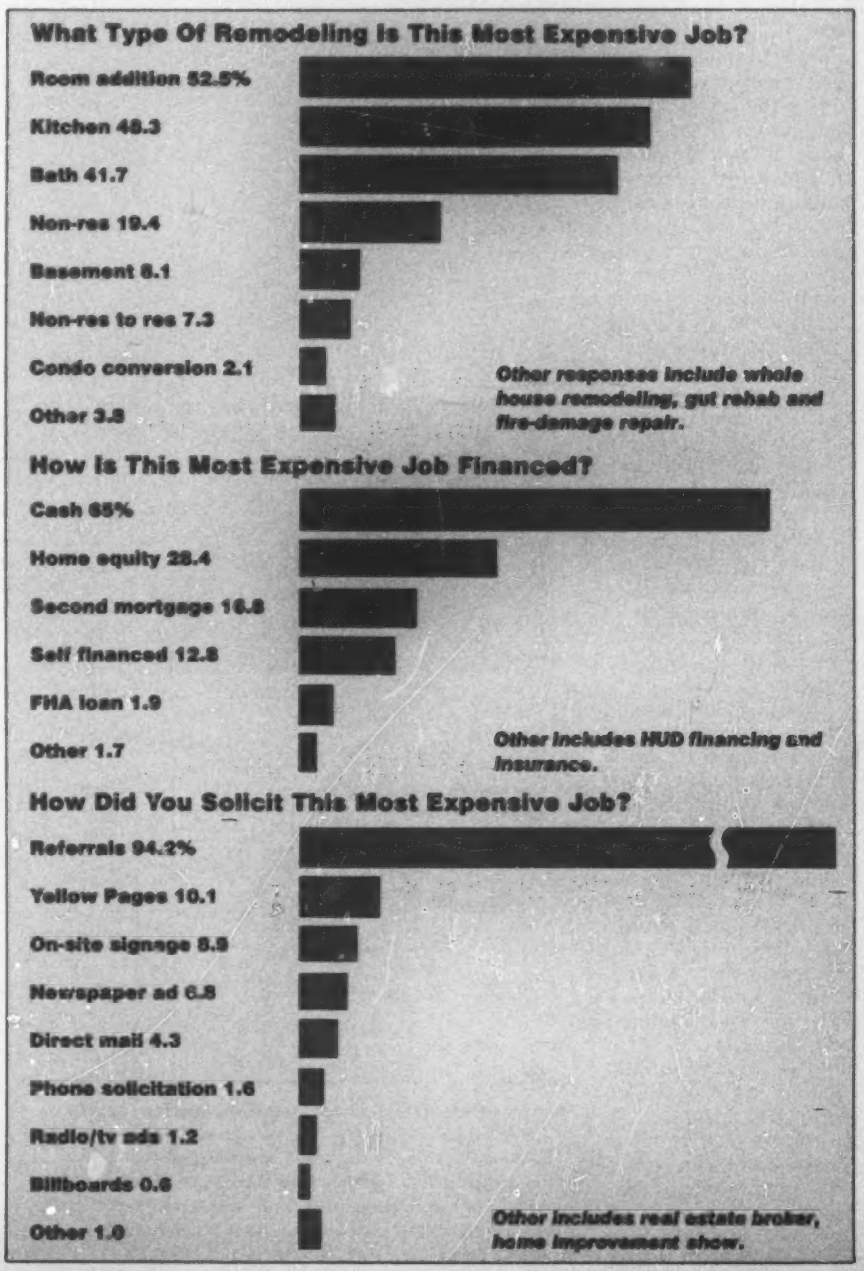
The value of the most expensive of these jobs was $118,655.

This survey is based on 525 responses from readers of PB. Results from other PB surveys are found elsewhere in this issue.

More than half of the remodelers surveyed said their most expensive job is a room addition. Kitchens and baths rated high in this survey, too.

By and large, most of these jobs were paid for in cash. Just less than 13 percent were financed by remodeling companies.

Most remodelers came across this most expensive job by word-of-mouth referrals (94.2 percent). Next most popular advertising medium was the Yellow Pages (10.1 percent). □



REMODELING SURVEY

INDUSTRY LEADERS SHARE SECRETS OF DIVERGENT MARKET

Who remodels America? It's a firm that's been in business almost 17 years; a firm with average annual revenues of $1.8 million; a firm that finds most of its jobs from referrals; and a firm that also is involved in the construction of new homes.

Last year, *Professional Builder* surveyed 2000 readers who said they were involved in building room additions and major structural remodeling. The survey results here are based on 615 responses.

The average remodeler completed six room additions in 1987 at an average cost of $22,445 (median of $20,000). Nearly 47 percent expected their remodeling activity to increase in 1988.

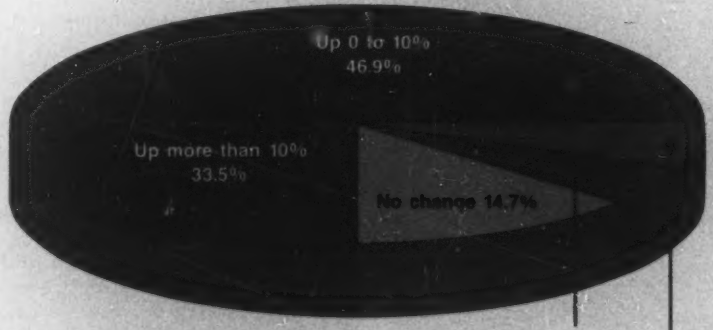
This survey profiles remodelers' business activity and takes an in-depth look at room additions and the products remodelers use. Taken together, the results present a clear picture of who remodels America. □

Design Service For Customers Is A Common Feature

Builder provides design services for customers

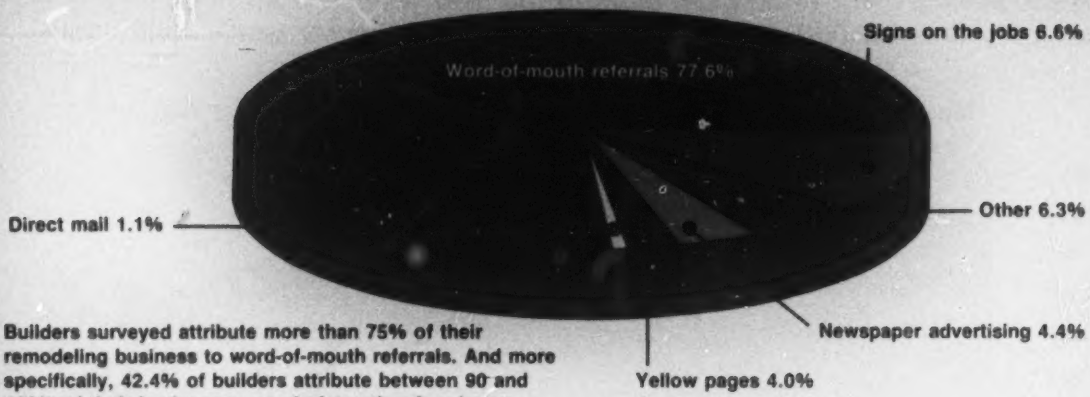
More than 85% of builders provide their remodeling customers with design services for room additions and major remodeling projects; 60% of builders with sales exceeding $10 million also provide design services.

The Cost Of The Average Remodeling Job Increased Slightly Last Year



Most builders reported that the cost of the average remodeling job had increased only slightly in the last year. But 33% of builders said that costs had increased more than 10%.

Word-Of-Mouth Referrals Contribute Significantly To Remodeling Business



Builders surveyed attribute more than 75% of their remodeling business to word-of-mouth referrals. And more specifically, 42.4% of builders attribute between 90 and 100% of their business to word-of-mouth referrals.

Builders Report Wide Variety Of Remodeling Activities

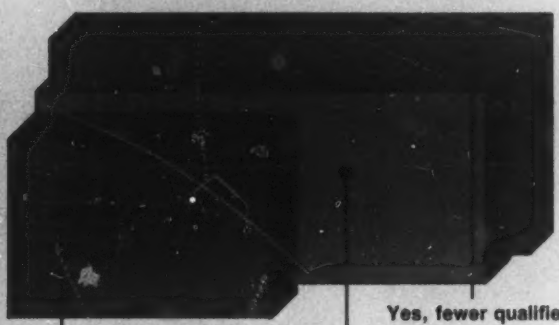
Types of remodeling activities	Builders active	Average jobs completed
Room additions/major alterations	76.3%	6.3
Bathrooms (remodeled or added)	67.5	6.2
Kitchens (remodeled or added)	67.0	6.0
General overall remodeling	53.3	8.3
Non-res remodeling jobs	41.5	6.5
Total restructure for new use	35.4	2.9
Prime window replacement	32.5	12.2
Condo conversions	3.7	15.8
Other types of remodeling	—	20.7

In the past year, builders completed a wide range of remodeling projects. About 75% actively constructed room additions or major alterations. More than 66% remodeled or added bathrooms or kitchens. More than 50% were involved in general overall remodeling.

Qualified Remodeling Subcontractors Are Available

More than 60% of builders reported either no change in the number of qualified remodeling subcontractors or that even more qualified subs are available now. But still, almost 40% of builders are dissatisfied with the qualifications of subs available today.

Is there a change in the number of qualified remodeling subcontractors available today?


Yes, more qualified subs are available today 22.5%
No, no change in number of qualified subs 38.7%
Yes, fewer qualified subs are available now 38.9%

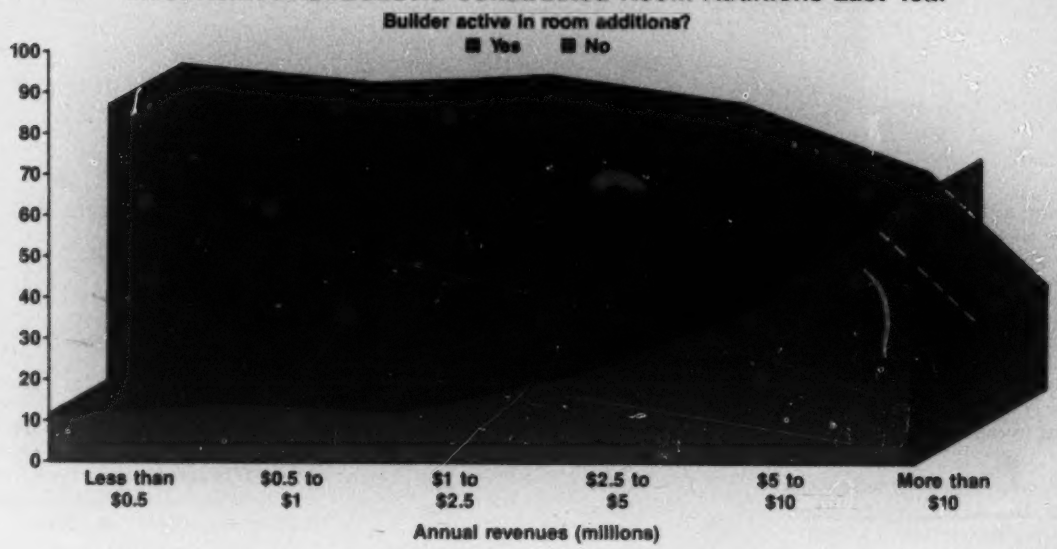
Workmanship And Owner Changes Are 2 Biggest Construction Problems

Changes by owners	48.9%
Workmanship of subcontractors	38.6
Unanticipated construction problems—	28.5
Supplier or supply problems	23.4
Local building officials	15.4
Faulty or poor quality materials	15.4
Other	4.6

Changes by owners and the workmanship of subcontractors are the 2 most-mentioned problems on the job site, according to surveyed builders. About 28% of builders reported unanticipated construction problems and supplier or supply problems also posing difficulties on the construction site.

Room additions are a significant part of the remodeling market, say builders. Many expect to do even more in the next year. The average major job was a $20,000 alteration to a single-family home's family area.

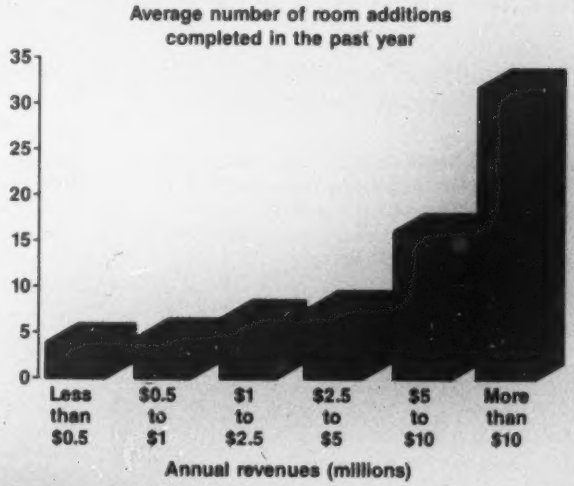
Most Remodeler/Builders Constructed Room Additions Last Year



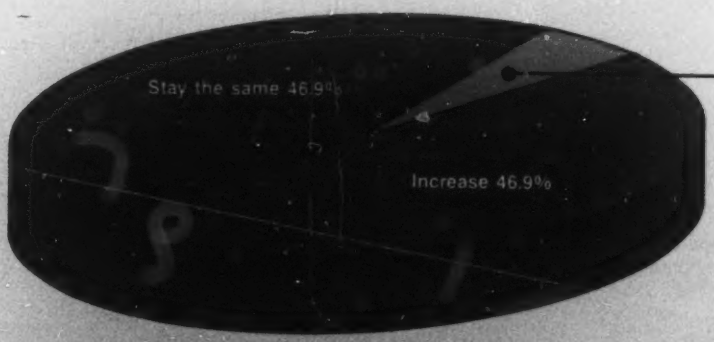
More than 80% of builders reported completion of room additions in the past year. Room addition activity is shown according to builders' annual sales volume.

Room Addition Activity Varies By Company Size

Last year, builders reported an average of 6 completed room additions. As the chart indicates, the number of room additions depends largely on the size of the building firm.

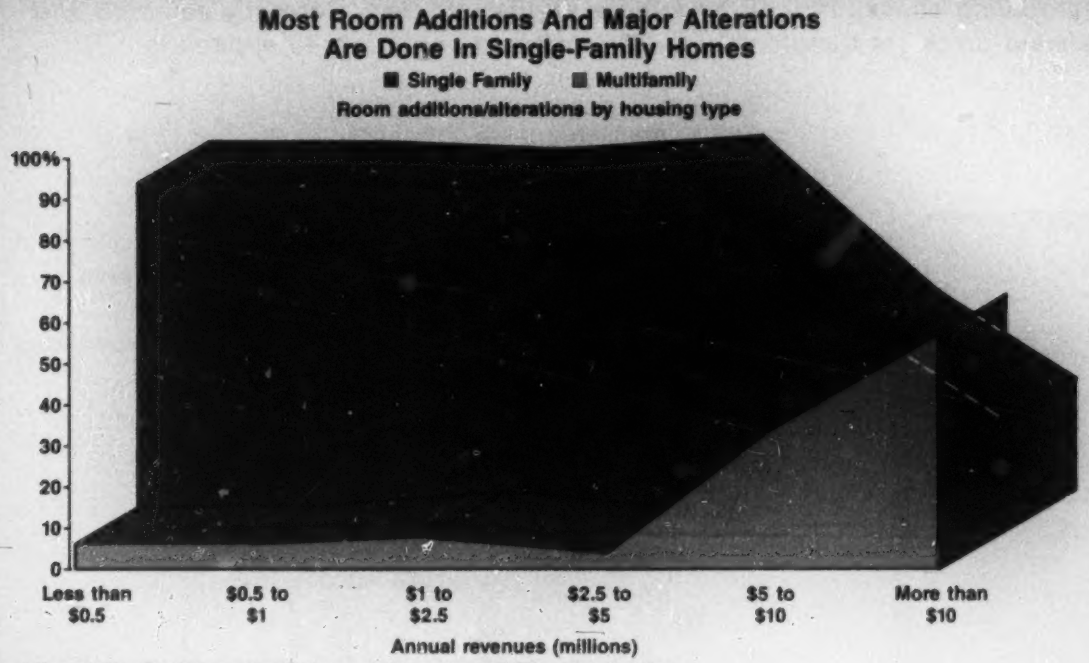


Builders Expect Increased Business In Room Additions Next Year



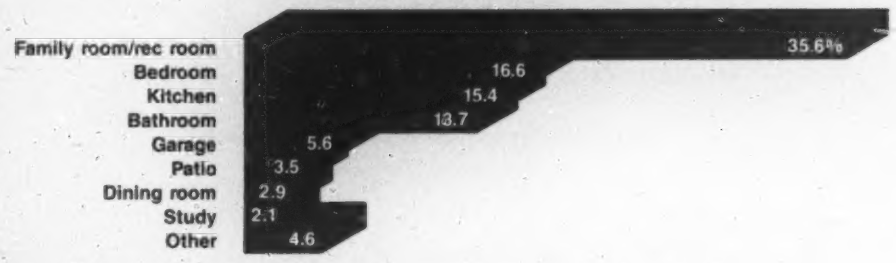
Many builders anticipate an increase in room addition activity in the next year. The same number of builders expect their business activity to remain about the same.

Most Room Additions And Major Alterations Are Done In Single-Family Homes



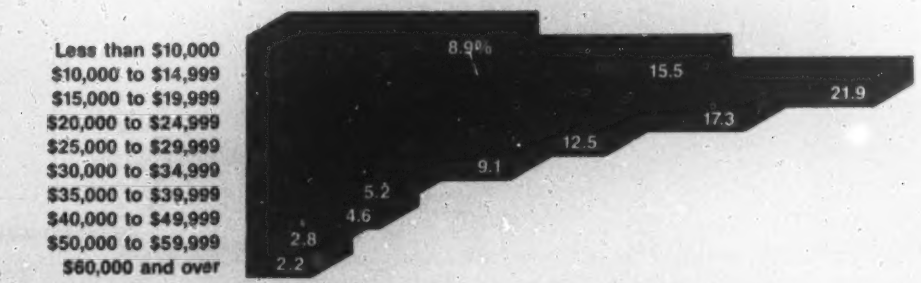
More than 90% of builders reported completing room additions and major alterations in single-family homes. Among all builders responding, only 7.8% completed work in multifamily structures. The percentage of work by housing type and builder size is reported in the chart.

Family Rooms And Rec Rooms Dominate Room Addition Activity



More than 35% of all room additions built in the past year included the family room or rec room areas. The next 3 most popular room additions were the bedroom, kitchen and bathroom.

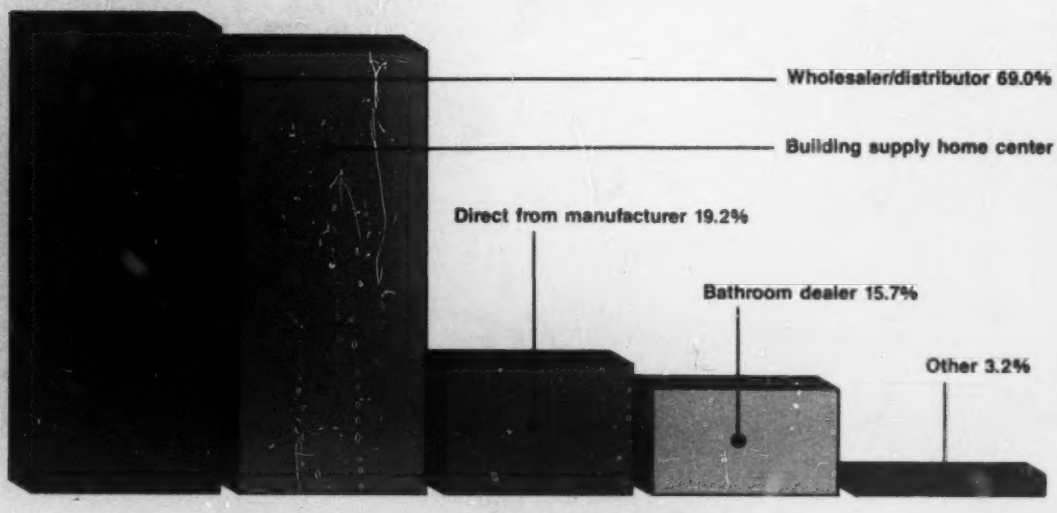
The Average Cost Of A Room Addition Exceeds $20,000, Builders Say



The cost of a room addition will depend on the room, amount of construction involved, and amenities included. Based on their remodeling experience, builders reported that the average cost of a room addition was $22,445. The chart shows a breakdown of average costs, according to builder response.

Remodeling sucess hinges on a blend of old and new. Correctly selected and installed products transform unusable to functional, ugly to appealing.

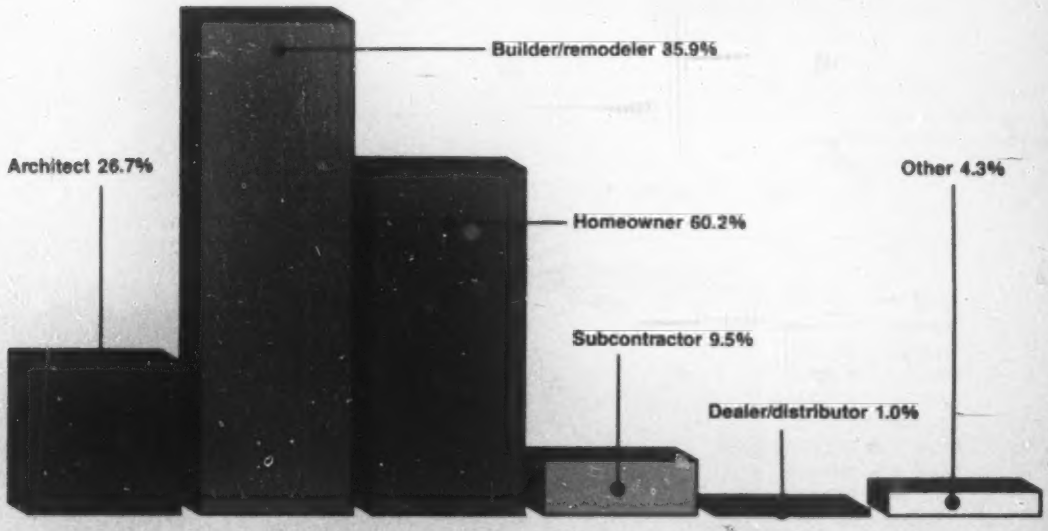
Builders Depend On Distributors And Home Centers For Products



Almost 70% of builders turn to wholesaler/distributors or building supply home centers. Among remodelers with sales in excess of $10 million, 81% use wholesaler/ distributors, 61.9% purchase direct from the manufacturer, and only 28.6% go to building supply home centers.

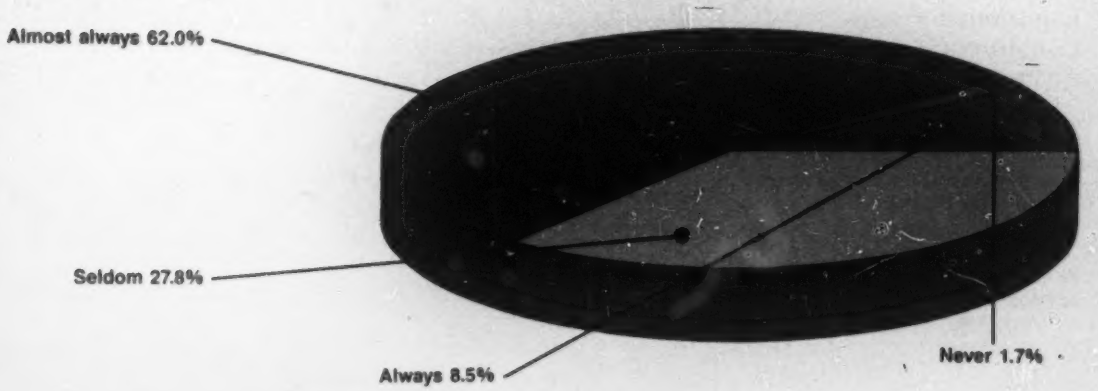
Builders Make The Decision In Product Selection

Who selects the products for remodeling projects?



Builders are most likely to decide which brand of products are to be used. Homeowners also play a significant role in product selection.

Windows And Doors Are Prime Candidates For Replacement



More than 60% of builders reported they almost always replace windows and doors when doing a room addition or a major structural change.

The Basics Dominate The Builder's Shopping List For Remodeling Projects

Type of products purchased for remodeling projects	Builders purchasing	Type of products purchased for remodeling projects	Builders purchasing
Windows	97.1%	Range hoods/fans	69.1%
Locksets	96.8	Appliances	68.5
Insulation	94.9	Medicine cabinets	66.5
Interior doors	94.6	Garage doors	64.8
Roofing	94.2	Paddle fans	61.1
Exterior doors	93.4	Thermostats	60.0
Cabinets	88.6	Hardwood flooring	59.2
Plumbing fixtures	87.9	Resilient flooring	58.9
Lighting fixtures	87.3	Garage door openers	57.1
Siding	86.4	HVAC	52.9
Faucets	84.5	Whirlpools	47.1
Countertops	84.4	Prefab fireplaces	45.2
Sinks	83.3	Door chimes	41.2
Vanities	83.0	Greenhouse windows	26.5
Skylights	82.8	Sunrooms	26.4
Ceramic tile	81.1	Hot water dispenser	24.8
Tub/shower enclosure	76.0	Central vacuum systems	23.1
Closet shelving	75.2	Intercoms	20.6
Decorative molding	70.2	Steam baths/saunas	19.2
Patio hinged doors	70.2		

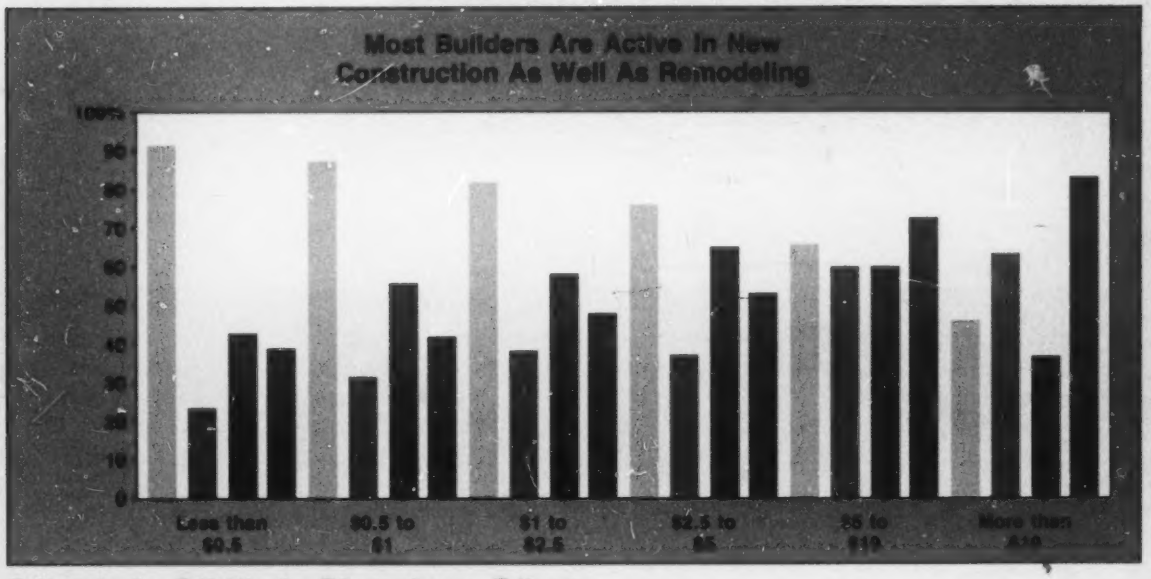
When doing room additions and major remodeling jobs last year, more than 90% of builders reported purchasing windows, locksets, insulation, roofing and interior/exterior doors. The variety of other products purchased reflects more specific remodeling work, such as kitchen and bathroom remodeling.

Typically, builders who remodel also are active in new construction, using the same crews for both activities. They have average annual sales of $1.8 million with more than half coming from remodeling and room additions.

Remodeling Firms Have Experience In New Construction And Remodeling

Builders who are active in remodeling have been in the construction business an average of 16.9 years and have been doing remodeling work for an average of 14.2 years. Almost 25% of remodeling builders have been in the construction business for 25 years or more.

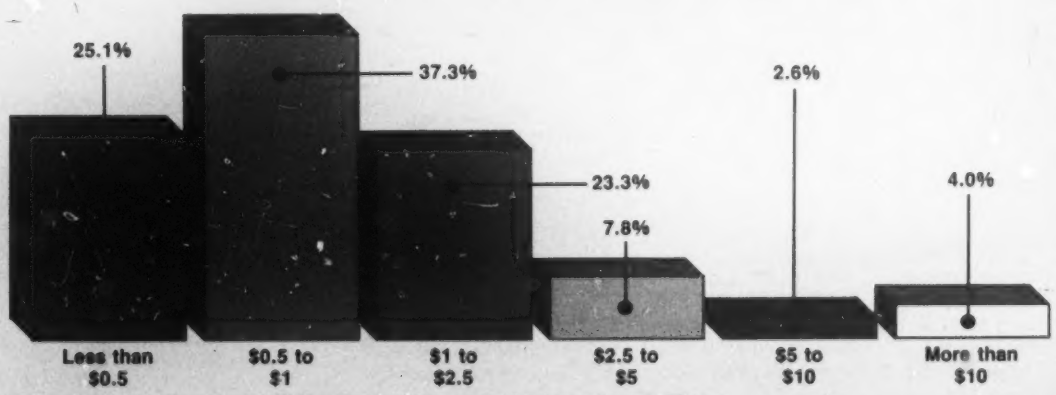
Number of years firm has been in business	In construction business	In remodeling work
Less than 5 years	9.5%	14.6%
5 to 9 years	20.0	24.6
10 to 14 years	24.0	24.3
15 to 19 years	15.3	11.7
20 to 24 years	8.1	8.9
25 years or more	23.2	16.0
Average years in business	16.9 years	14.2 years



Construction activity by annual revenues (millions)

Smaller Builders Dominate The Remodeling Field

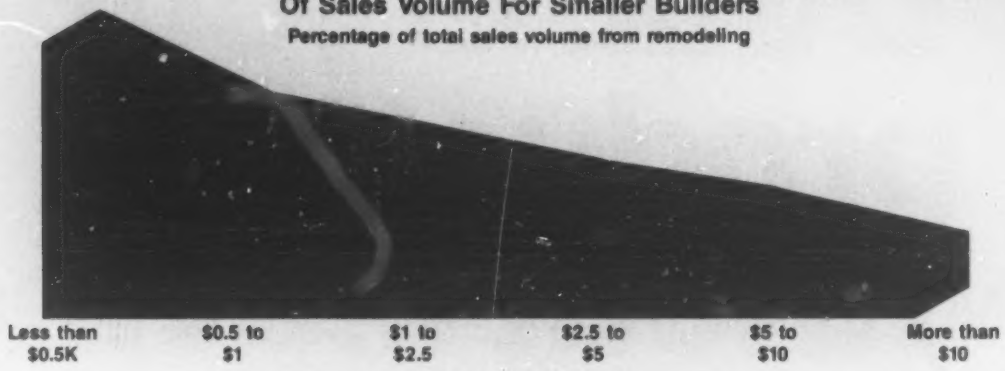
Firm's annual sales volume (millions)



More than 85% of responding builders reported an annual sales volume of less than $2.5 million. The overall average annual sales volume was $1,832,000.

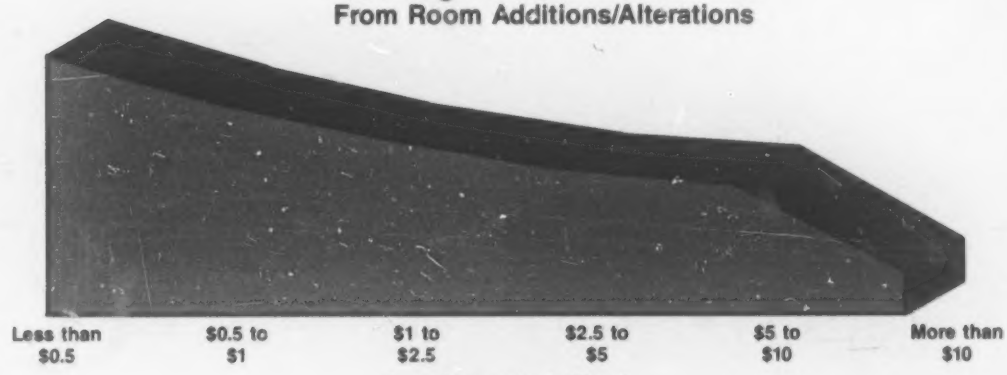
Remodeling Provides Larger Percentage Of Sales Volume For Smaller Builders

Percentage of total sales volume from remodeling

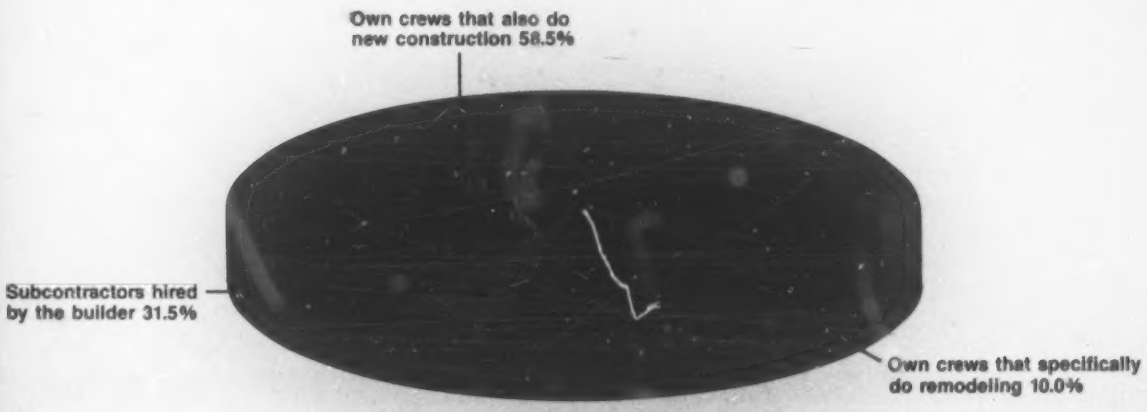


As shown, remodeling and room additions provide a larger share of a small builder's total sales volume. Overall, builders reported that remodeling provided an average of 36.7% of total sales volume. Room additions/alterations provided an average of 25% of total volume.

Percentage Of Total Sales Volume From Room Additions/Alterations



Who does the work?


Own crews that also do new construction 58.5%
Subcontractors hired by the builder 31.5%
Own crews that specifically do remodeling 10.0%

A builder's own construction crews do new construction and complete almost 60% of the remodeling work and room additions. Subcontractors and a builder's own special remodeling crew complete the balance of the work.